

Scope of social security coverage around the world: Context and overview

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All social security systems are income transfer schemes that are fuelled by income generated by national economies, mainly by the formal economy. At the same time, the degree of formalization of the labour market co-determines how many people can be covered by the ten different branches of social security and how many of them contribute to the financing of social transfers through contributions and taxes. Tax-financed social assistance and universal benefits may reach people in informal employment. However, in a largely informal economy it may not be possible for a nation to maintain a tax and contribution base for comprehensive protection of the majority of the population with higher level benefits.

The functioning of global and national labour markets is thus an important determining context for the analysis of basic and comprehensive social protection coverage. This chapter provides an analysis of the global labour market structures and draws an initial conclusion on the levels of comprehensive coverage of the global population. The following chapters provide information on the level of partial coverage in the most important individual branches of social security.

2.1 The labour market context

Contributory social insurance and other statutory schemes in most countries cover only those who are employees (that is, those in formal wage or salary employment) and, sometimes, their dependants. Both legal

and effective coverage by these schemes is thus strongly correlated with the percentage of employees among those employed. Globally (see table 2.1) slightly over a quarter of the world's adult population (one-third of adult men and one-fifth of adult women) is employed, whether formally or informally, as employees. If one looks only at those who have some kind of employment, less than half globally have the status of wage or salary workers. However, while in developed economies nearly 85 per cent of all employed are employees, the figure is not much more than 20 per cent in South Asia and sub-Saharan Africa, less than 40 per cent in South-East Asia and the Pacific, slightly more than 40 per cent in East Asia and about 60 per cent in North Africa, the Middle East and Latin America and the Caribbean (see figure 2.1) – but not all of them are in formal employment and thus have access to statutory social security benefits.

People without social security coverage in developing countries usually work in the informal rather than the formal economy. No access to social security coverage is usually part of the definition of informal employment. Even in developing countries with high economic growth, increasing numbers of workers – most often women – have less than secure employment, such as casual labour, home work and self-employment, lacking social security coverage. This has an enormous impact on their lives and on work itself. What little earning power the impoverished have is further suppressed by marginalization and lack of support systems – particularly when they are unable to work because of age, illness or disability. HIV/AIDS has amplified this impact,

Table 2.1 Employees (wage and salary workers) in the labour market worldwide, 2008 (percentages)

	Total		Men		Women	
	Employed = 100	Total working- age population = 100	Employed = 100	Total working- age population = 100	Employed = 100	Total working- age population = 100
South Asia	20.8	9.7	23.4	15.6	14.6	3.5
Sub-Saharan Africa	22.9	13.8	29.2	20.5	14.4	7.4
South-East Asia & the Pacific	38.8	21.9	41.5	28.6	35.0	15.1
East Asia	42.6	23.3	46.0	28.9	38.3	17.6
North Africa	58.3	24.4	58.8	38.5	56.7	10.5
Middle East	61.5	29.0	64.4	41.6	53.5	15.0
Latin America & the Caribbean	62.7	38.6	60.6	46.1	65.8	31.8
Central & South-Eastern Europe (non-EU) & CIS	76.6	41.5	75.4	48.0	78.0	35.7
Developed economies	84.3	46.6	81.7	51.8	87.5	41.6
WORLD	46.9	26.5	47.4	33.0	46.0	20.1

Note: Labour force surveys distinguish between those who are employees (employed in wage or salary employment) and those who are not and thus are either self-employed (employers and own-account workers) or unpaid helping family workers. The table shows percentages of those who are employees among (1) all employed; (2) all population of working age, i.e. between 15 and 64.

Source: ILO calculations, based on ILO, 2008e: *Key Indicators of the Labour Market (KILM)*, 5th edition, <http://www.ilo.org/public/english/employment/strat/kilm/> (using 2006 estimates for indicator 3: status of employment and indicator 2: employment to population ratio). Country classification also from KILM.

especially for already vulnerable groups of workers such as women, migrants and those in the informal economy.

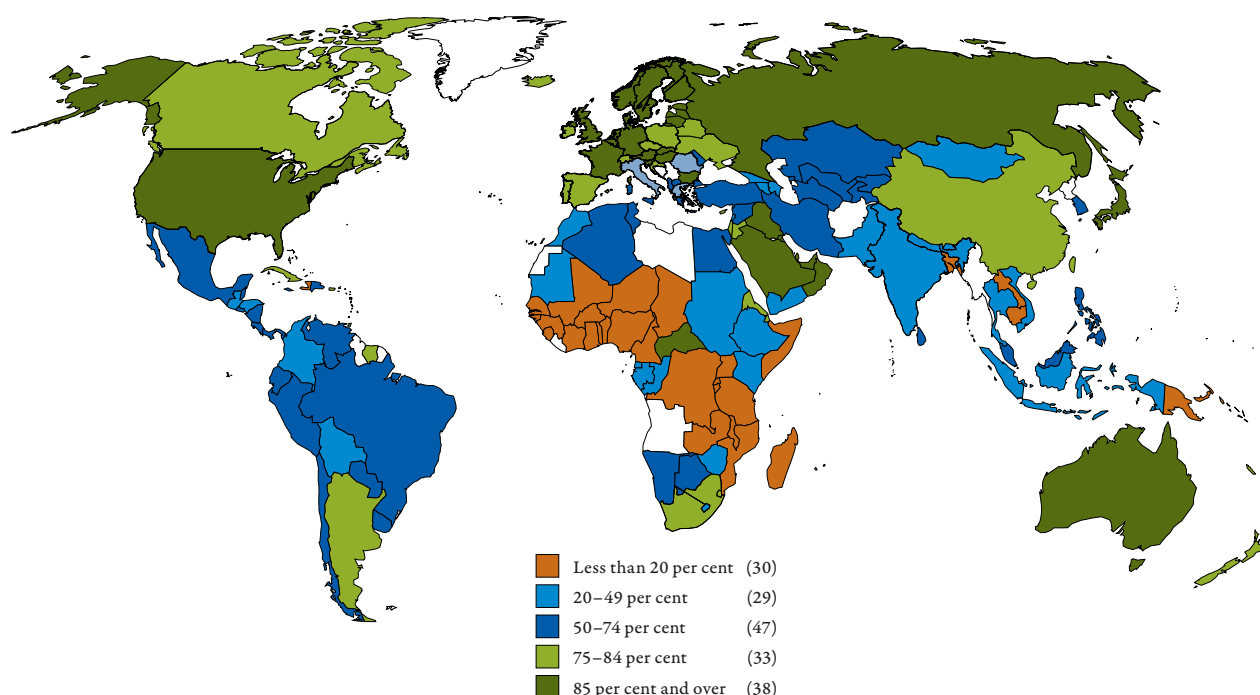
It was once assumed that an increasing proportion of the labour force in developing countries would end up in formal employment covered by social security. However, experience has shown that the growing incidence of informal work has led to stagnant or declining rates of coverage. The most vulnerable groups outside the labour force are women, persons with disabilities and older people who cannot count on family support and who have not been able to make provisions for their own pensions.

One reason for low coverage rates is the extent of self-employment. Most social insurance and other schemes include the formally employed population, but do not cover the self-employed except in some cases on a voluntary basis; this leads to some very limited coverage rates. The average figures on the legal coverage of a population therefore do not tell much about the gap in coverage of self-employed people.

The map in figure 2.1 gives a global overview of the percentage of employees in total employment. It can be seen that in large parts of Africa, Asia and Latin America a minority of employed people are employees. In many African and South-East Asian countries especially, less than 30 per cent of the employed work as wage workers. Even among these workers there is a deficit of social and employment protection, as the following examples from Latin America and Africa demonstrate.

The informal economy in Latin America constituted 64.1 per cent of non-agricultural employment in 2005 (Tokman, 2007). Seventy-eight per cent of informal workers are found in the informal economy, but a significant minority of such workers (22 per cent) are employed in the formal sector, that is, as unprotected workers in formal establishments. Access to protection usually depends on a formally recognized employment relationship, typically through a written labour contract. In 2005, estimates showed that 37.7 per cent of wage workers in Latin America were employed without a contract, a percentage that is concentrated in the informal economy (68 per cent of such workers), but also including 26 per cent of workers in formal establishments. Differences in social protection coverage (measured by the percentage of workers in each type of contractual situation that contributes to old-age pensions) for those workers with or without written contracts were substantial, independently of whether they were employed in the informal or formal economy. On average, 19 per cent of workers without contracts had access to social protection, compared with a proportion four times higher for workers with contracts. The proportion of workers without contracts in the informal economy enjoying social protection was only 10 per cent, while the proportion for such workers with contracts was five times greater. As shown in figure 2.2 overleaf, the type of contract also matters in determining access to social protection.

Figure 2.1 Employees (wage and salary workers) in total employment worldwide, latest available year (percentages)



Link: <http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15092>

Note: For the majority of countries the latest available year is between 2005 and 2008. For further details see the Statistical Annex.

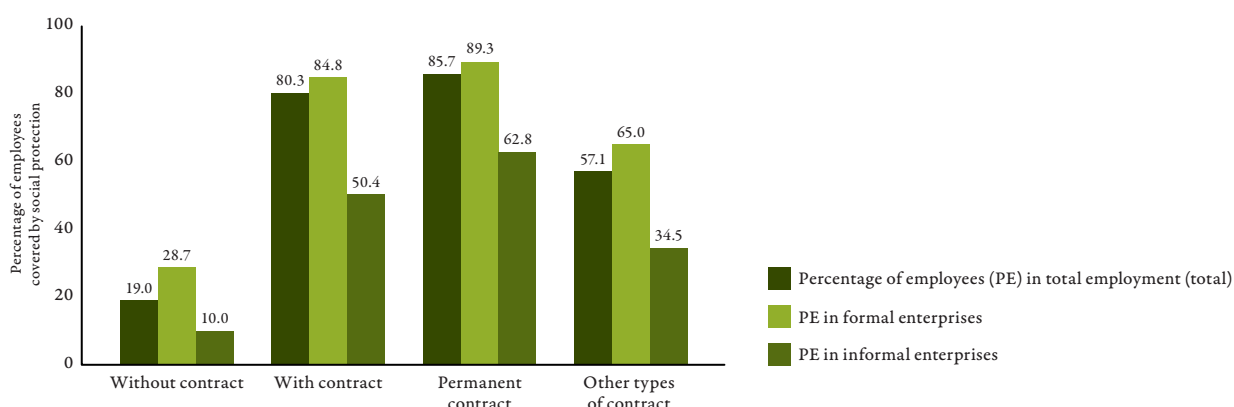
Sources: ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e); and national statistical offices. Numbers in brackets give the number of countries included in a data set for each group. See also ILO, GESS (ILO, 2009d).

Examples from Africa show the same pattern. Although Zambia (ILO, 2008f) has very specific social security arrangements for formal employees, by no means all are reached by existing social security provisions. One of the obstacles to achieving greater social security coverage may be that nearly half (49 per cent of the total, 54 per cent of women and 47 per cent of men) say either that they do not have a contract with their employer or that they do not know whether they have one. Accordingly, half of all employees (but only 19 per cent of public-sector employees) say their employers do not contribute to social security or that they do not know whether their employer contributes. Similarly, more than half of all employees (again 19 per cent of public-sector employees) indicate that they have no entitlement to paid leave or at least are not aware of this entitlement. The same situation could apply to other legal entitlements of employees regulated by the Employment Act, such as sick pay and paid maternity leave.

In the United Republic of Tanzania (ILO, 2008g), according to the 2005/2006 Integrated Labour Force Survey (ILFS), 8.6 per cent of all employed are in paid employment, with 39.1 per cent of paid employees (38 per cent of men and 42.2 per cent of women)

working in the informal economy. Only 49 per cent of paid employees (with practically no gender difference) say they have a written contract (38.9 per cent on a permanent basis and 10.7 per cent a written contract of a casual nature). Amongst paid employees working in formal economy enterprises, 70 per cent have written contracts and 15 per cent oral contracts. The corresponding proportions among employees working in informal economy enterprises are reversed, with the majority, 61 per cent, having oral contracts and only 15 per cent written contracts, in most cases on a casual basis. As in Zambia, the majority, more than 63 per cent of all paid employees (but only 28 per cent of public-sector and other corporate organizations' employees, and 17 per cent of paid employees with a permanent written contract), say that their employers are not contributing to social security or that they do not know if the employer contributes. Only 5 per cent of paid employees working in the informal economy say that their employer contributes to any of the existing formal social security schemes; the corresponding proportion for paid employees working in the formal economy is naturally higher, at just over 56 per cent, but is still far from representing full coverage. HIV/AIDS has been shown to be highest in

Figure 2.2 Latin America: Social protection coverage among employees according to type of contract, 2005



Link: <http://www.socialsecurityextension.org/gimi/gess/ResFileDownload.do?ressourceId=15208>

Source: ECLAC on the basis of household surveys for 16 countries, in Tokman, 2007. See also ILO, GESS (ILO, 2009d).

the productive cohort, with a significant effect on population profile and mortality rates and a corresponding impact on effective coverage by social security schemes.

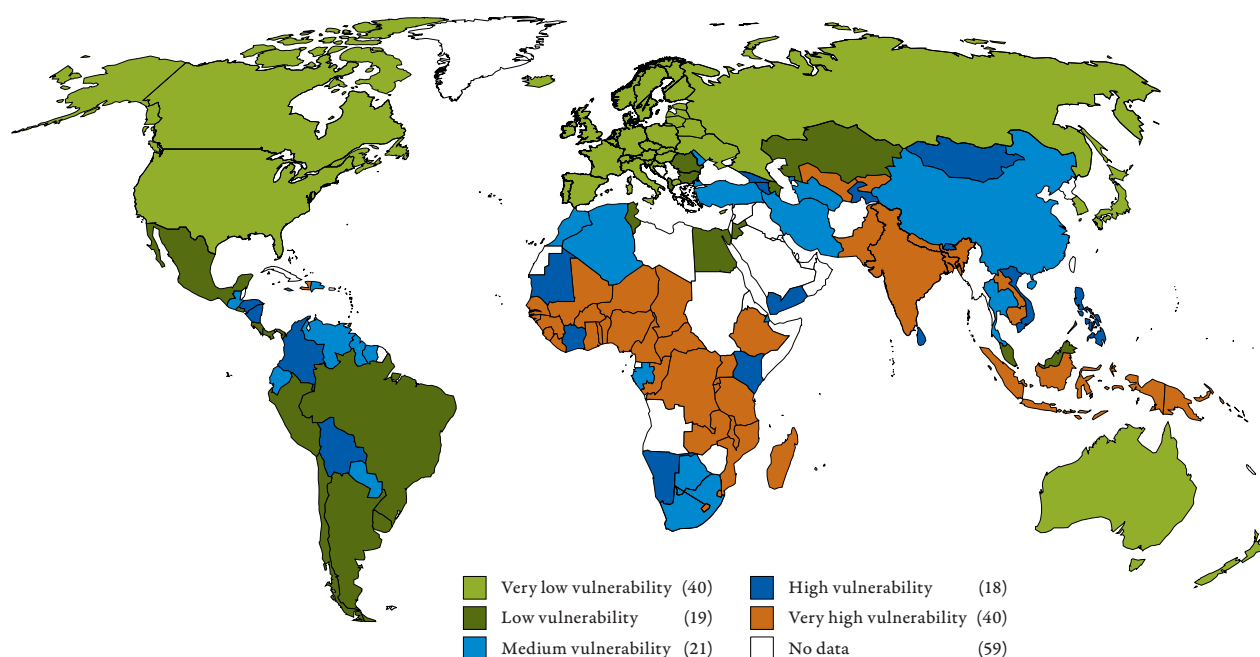
Despite the widespread lack of coverage, a number of middle-income countries have successfully expanded coverage of their social security systems in recent years. For example, Costa Rica has achieved full health coverage through a combination of health insurance and free access to public health services. India's National Old-Age Pension Scheme, financed by central and state resources, reaches one-fourth of all the elderly: about half of pensioners who live in poverty. And in Brazil, social assistance pensions lift about 14 million people out of extreme poverty. A newly introduced social security scheme helped the Republic of Korea to adjust more smoothly to the Asian financial crisis of the late 1990s. In particular, a newly introduced unemployment insurance programme helped the country cope with a quadrupling of the jobless rate.

One major challenge in social security worldwide is to help middle-income countries continue their progress while at the same time assisting the least-developed countries to determine what types of schemes are best suited to extend their coverage. The ILO tripartite constituents hope to initiate and sustain efforts to help countries develop and expand social security systems through a process of experimentation and social dialogue. The ILO is testing new approaches to opening up access, and is monitoring initiatives by its member States to extend coverage. Moreover, it is seeking to apply its long experience in promoting social dialogue and tripartite involvement to address the special challenges of expanding social security in countries where coverage is weak and participation in the informal economy is high.

To analyse global patterns of coverage it is useful to provide estimates for relatively homogeneous groups of countries. In this report such country groupings are: by geographical region, level of income measured by GDP per capita, level of Human Development Index (HDI), and prevailing poverty incidence. As international experience has shown, specific types of labour market structures associated with low shares of wage employment and high informality, together with the prevailing low and irregular household income levels which result in a high incidence of income poverty, make populations of countries particularly vulnerable to various life-cycle, social and economic risks and contingencies. While the need in such vulnerable societies for social security coverage is even higher than elsewhere, high effective coverage by statutory social insurance schemes is usually extremely difficult to achieve there, precisely because of the prevalence of non-wage employment status and of low and irregular incomes. In this report, then, countries are also grouped according to prevailing combined levels of both informality and incidence of income poverty, as shown in figure 2.3. The level of *vulnerability* is assessed here by two combined variables: poverty rate measured as a proportion of people living on less than US\$2 PPP per day within a country, and the extent of informal employment, measured by, as proxy, a proportion of those who are not employees¹ (in wage/salary employment) in the total number of employed (see ILO, 2009f; Scheil-Adlung, Bonnet and Wiechers, 2010).

¹ Due to a lack of data, this is a broad approximation of informality which is an underestimate as it does not take into account the significant proportion of informal employment among employees in developing countries as well as developed countries. As presented earlier in this report (pp. 28–9), this could represent more than 50 per cent of employees.

Figure 2.3 Countries grouped by level of vulnerability, poverty and informality combined, latest available year



Link: <http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15094>

Note: For further details on the composition of groups by level of vulnerability, see table 12 in the Statistical Annex.

Sources: For informality (non-wage workers as a proportion of total employment as a proxy of informality level): ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e), and national statistical offices; for poverty incidence (below US\$2 per day): World Bank, 2009a. Numbers in brackets give the number of countries included in each group. See also ILO, GESS (ILO, 2009d).

Figure 2.3 shows that 58 countries are experiencing high or very high vulnerability in terms of poverty and informality of the labour market; this corresponds roughly to one-third of all countries. The majority of the most vulnerable countries according to this definition are in Africa and Asia.

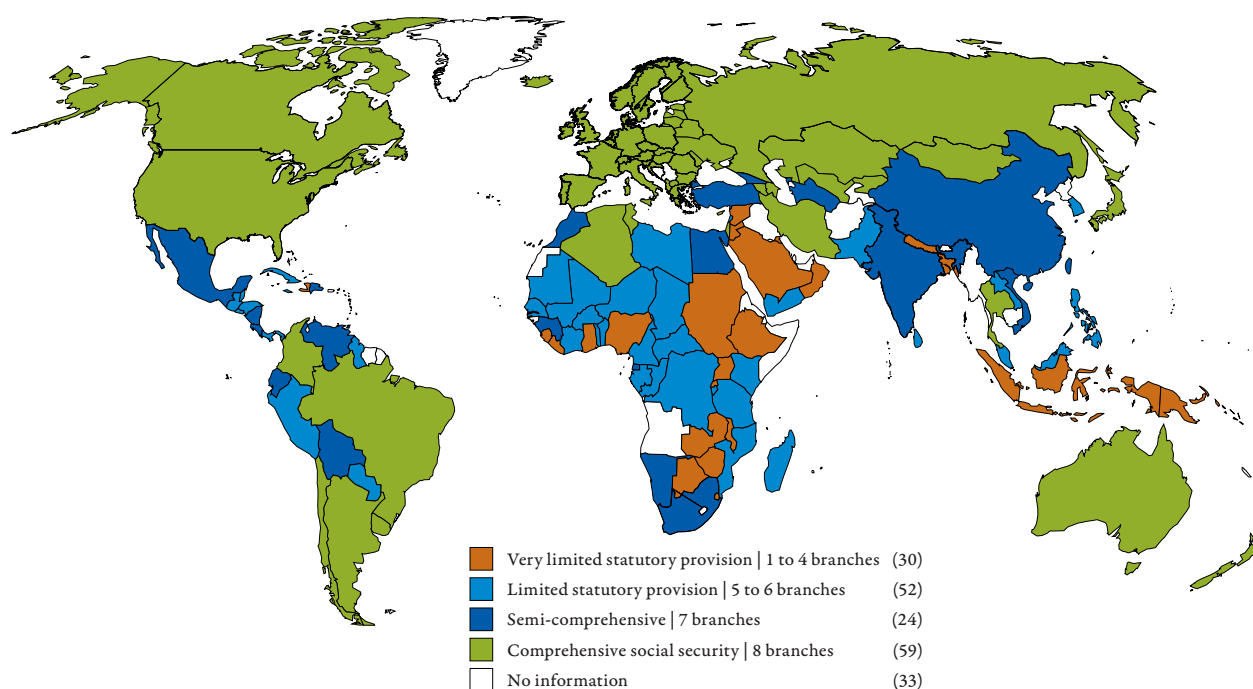
2.2 Scope of comprehensive coverage by statutory schemes

Some level of partial protection by social security exists in nearly all countries, though only a minority of countries provide protection in all branches (see figure 2.4). There is no country in the world without any form of social security, but in many countries coverage is limited to a few branches only, and only a minority of the population has – both legally and effectively – access to existing schemes. Every country has certain forms of social security provision for social health protection, thus facilitating access to at least a limited scope of health-care services. These include some public health-care services accessible at least nominally without fee, and other

services through health insurance for at least certain population groups. Most countries have schemes designed to provide contributory old-age pensions, although in many coverage is limited only to a small formal economy or even only part of it. Many of these schemes are relatively new, so actual coverage measured in terms of the percentage of elderly persons receiving any benefit is very low. In most countries, formal economy employees are covered by some form of protection in case of employment injury, although often this coverage does not meet the requirements of Convention No. 102 with regard to the scope and type of benefits provided. In most countries at least certain groups of employees are entitled, either through the provision of the labour code or of collective agreements, to paid sick leave and paid maternity leave. However, the actual enforcement of these provisions is often low and thus effective coverage is equally low.

There is a large variety of approaches to social security around the world; levels of coverage through legislation, as well as degrees and types of implementation of social security, are significantly different. Figure 2.4 shows the scope of legal coverage through social security schemes around the world. It can be seen that especially in Asia, Africa and some parts of Latin America there

Figure 2.4 Branches of social security: Number covered by a statutory social security programme, 2008–09



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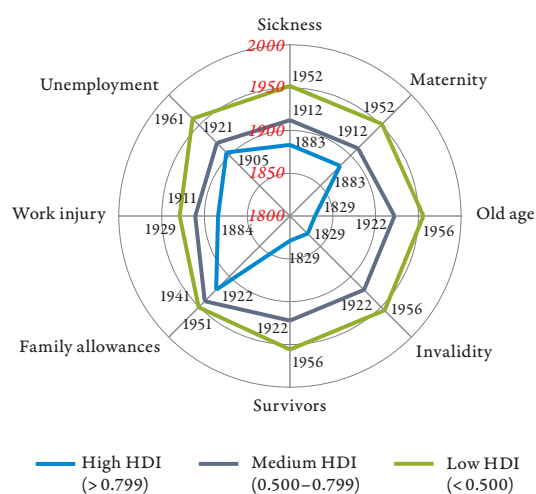
Sources: For identification of groups covered: SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas; quantification based on statistical databases: ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e); and national statistical offices. Numbers in brackets give the number of countries included in each group. See also ILO, GESS (ILO, 2009d). The nine branches of social security (Convention No. 102) are aggregated to eight through the merging of sickness and health benefits. It is furthermore assumed that countries that have all eight classical branches of social security in place also have functioning social assistance schemes in place.

are large gaps in the scope of social security schemes legally available to at least certain groups of workers.

Historically, the first countries to develop social security schemes were those now seen as the highly developed countries. These were followed by middle-income countries; it is only recently that schemes have emerged in developing countries. The first schemes to be developed were those concerning invalidity, work injury, old age and survivors; the last were those concerning family allowances and unemployment (see figure 2.5).

As we have seen, nearly all countries – including low-income ones – have a statutory programme or at least limited provisions included in the labour code concerning some form of compensation in case of employment injury; they also have at least one pension scheme. Of course, these provisions often cover effectively only a small proportion of the labour force, being limited only to those in public employment or only to those in the private formal sector, and so on. Some of them do not pay periodical benefits throughout the whole duration of a contingency, as required for example by Convention No. 102, but grant benefits only as lump-sum payments. Other contingencies are less

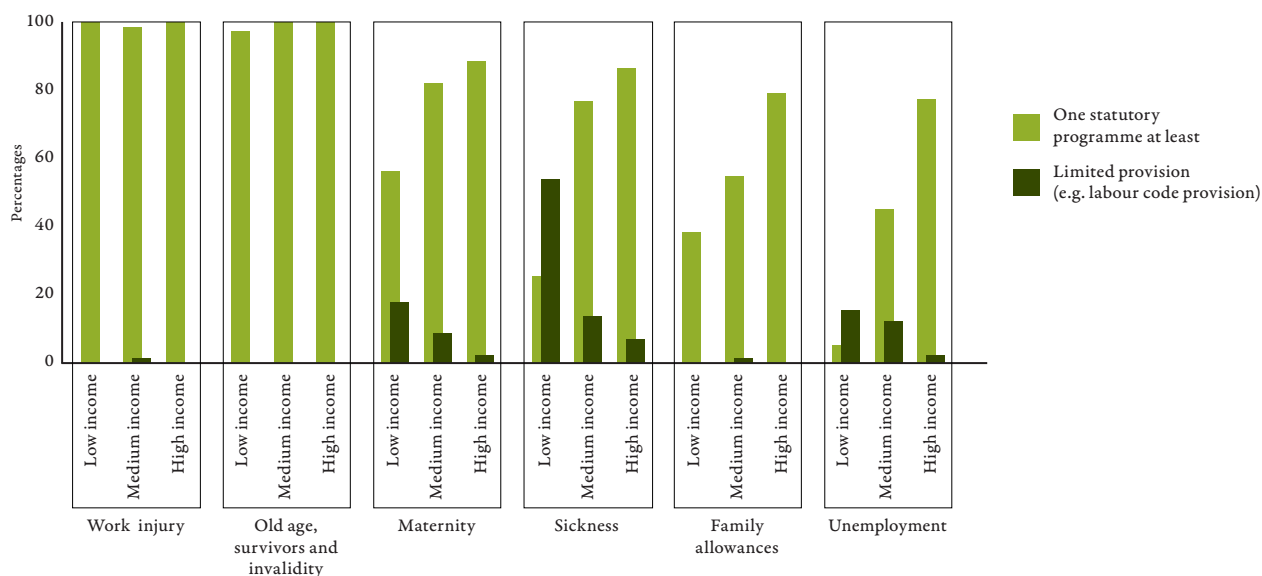
Figure 2.5 Date of the first law adopted for each contingency, countries grouped by Human Development Index (HDI), latest available year



Link: <http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15096>

Source: Legal information from SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas. See also ILO, GESS (ILO, 2009d).

Figure 2.6 Branches of social security: Countries with statutory programmes or limited provision, latest available year (percentages)



Link: <http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15097>

Source: Legal information from SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas. See also ILO, GESS (ILO, 2009d).

often covered: paid maternity leave, paid sick leave, benefits for families with children and, most rarely, unemployment benefits. For the latter there exists provision in only about 10 per cent of low-income countries, about half of middle-income countries and less than 80 per cent of high-income countries (see figure 2.6).

2.3 Effective comprehensive population coverage

Only one-third of countries globally (inhabited by 28 per cent of the global population) have comprehensive social protection systems covering all branches of social security (plus social assistance) as defined in Convention No. 102 and Recommendation No. 67. However, most of these social security systems cover only those in formal employment as wage or salary workers. Such workers constitute less than half of the economically active population globally, but over 70 per cent in those countries with comprehensive social security systems. Taking into account those who are not economically active, it is estimated that only about 20 per cent of the world's working-age population (and their families) have effective access to such comprehensive social protection systems.

The share of the global population enjoying a level of protection commensurate with a social protection

floor is probably higher than 20 per cent. The proportion can only be estimated by using a poverty proxy. We consider that people who fall under the international poverty line of US\$2 per day have no effective basic social protection. According to the latest UN estimates, about 60 per cent of the global population live above this line and so can be said to enjoy a basic level of social protection.² This estimate constitutes a maximum since among the non-poor there will be a number of vulnerable people that have a sufficiently high level of income at a given point in time but may not have access to protection should a certain contingency materialize.

As the estimated level of comprehensive coverage is 20 per cent of the world's population, we can conclude that between 20 per cent and 60 per cent of the global population enjoys only basic social protection.

Improving this broad estimate remains a challenge for further research and can most likely only be done on a national basis for some time to come. The ILO is developing and testing indicators to measure the extent of coverage at the level of social protection floor, in the context of the Social Protection Floor Initiative of the UN Chief Executives Board.

² This is a rough estimate based on the figure published in the UN *Report on the World Social Situation 2010: Rethinking poverty*, New York, 2010, p. 14.

